



# Major changes - Welfare Reform

## The present position.

The five main benefits referred to as “Income Replacement” are as follows:

- ESA (Support Group) 96.85
- ESA (Work Related Activity Group) £91.40
- JSA (Over 25) £65.45
- IS (lone parents 18+ and carers) £65.45
- JSA (under 25) £51.85

ESA = Employment and Support Allowance  
JSA = Job Seekers Allowance,  
IS = Income Support.

There is almost universal agreement that work is a good thing! The problem is the provision of jobs, security of employment and levels of wages. The Joseph Rowntree Foundation publishes a “minimum income standard”. To give an example, a figure of £161.41 is the figure for a single person, which allows a minimum acceptable standard of living in the UK. The figure excludes rent and Council Tax which would be paid via. Housing Benefit (HB) and Council Tax Benefit (CTB).

The figure for the number of people out of work in the UK is difficult to work out because not everyone claims benefit. There is some suggestion that the figure may be as high as 5m.; certainly half this figure are in receipt of benefits covering disability or ill health (ESA or IB) 30% for unemployment (JSA) and 20% by virtue of being a lone parent (IS). The number of claimants is currently:

- JSA 1.5m.
- IB 1.1m.
- IS 1.9m.
- ESA 0.5m.

*(This figure will rise as claimants migrate to ESA)*

The present government want to completely reform the current Welfare Benefits System, which has developed into a system which is complex, difficult and expensive to administer. Over the years a huge body of case law has built up, which adds to the complexity. Bodies such as the Bevan Foundation and The Joseph Rowntree Trust have produced responses to inform the debate which is currently taking place. Essentially it is about the intention of the current government to move to a single benefit covering those in and out of work. The need for reform was seen by the last government which introduced “Employment and Support Allowance” (ESA) in 2008, in an attempt to assist people who were capable to move off benefits and into work. The intention may have been good, but it has run into a lot of problems. The scale of the problem is huge. The last government wanted to move over a million recipients of Incapacity Benefit (IB) onto the new benefit by a requirement to



undergo a “Work Capability Assessment” (WCA) in which claimants were scored on a number of descriptors covering both physical and motor ability, and psychological factors covering mental health, and depression etc. ESA included a support component for those who were recovering from accidents for example, but the idea was to get as many people as possible into the “Work ~related Activity Group” with a requirement to attend Job Focused interviews. There is no doubt that many of the WCA interviews did not give a fair or reasonable assessment of individual claimants, and over 40 % of appeals were successful. The problem now is that there are so many appeals waiting to be heard, that the system is grinding to a halt.

## DISABILITY LIVING ALLOWANCE

Most benefits are income related, but DLA is not. It is paid on the basis of need, and contains two components, care and mobility. Many families rely on this to keep their income up, and there is some evidence that the benefit is harder to obtain. People who are in receipt of IB who also receive DLA and who fail to meet the criteria of the WCA may find their DLA also being questioned. Currently 1.8 million people in the UK receive DLA at a cost of 6.6 B.

As a country the UK spends 28% of all public expenditure on social security and tax credits at a cost to the exchequer of £193 Billion. There are also huge disparities between the numbers of claimants in different areas. The extreme cases are Blaenau Gwent and Merthyr Tydfil where 26% of working age adults are out of work and claiming JSA or IB/ESA. By contrast areas in the south of England have claimant totals as low as 5 or 6 %. So what is proposed? See over ...



## Refugee Week

**20 - 26 June 2011**

**Refugee Week is an opportunity to discover and celebrate the contributions refugees bring to the UK.**

Refugees have made a massive cultural, social and economic contribution to life in the UK in the last 450 years. Many famous household names are evidence of the presence of refugees: Camille Pissarro, painter from France; Sigmund Freud, psychologist from Germany; Arthur Koestler, author and journalist from Hungary; Oliver Tambo, Former ANC President from South Africa; Irina Ratushinskaya, poet from former USSR; to name but a few.

The UK hosts less than 2% of the world's refugees. Yet an opinion poll in 2002 showed that the public thought the figure to be around 26%.

- More than 1,000 medically qualified refugees are recorded on the British Medical Association's database. It costs £2,500 to allow a refugee doctor to practice in the UK. It costs £250,000 to train a doctor from scratch.

- Many refugees have academic or teaching qualifications. 754 refugee teachers are registered with London-based agencies alone

Please see

<http://www.refugeeweek.org.uk/> for further details

*Almighty and merciful God,  
whose Son became a refugee  
and had no place to call his own;  
look with mercy on those who today  
are fleeing from danger.  
Bless those who work to bring them  
relief;*

*inspire generosity and compassion in  
all our hearts;  
and guide the nations of the world  
towards that day  
when all will rejoice in your Kingdom  
of justice and of peace;  
through Jesus Christ our Lord.  
Amen.*

## The Welfare Reform Bill - Proposals

The main thrust is the provision of a Universal Credit, also referred to as an "Integrated working age credit". This will comprise a basic allowance with "elements" for Children, Disability and housing and caring costs. It will replace Working Tax Credits, Child Tax Credits, Housing Benefit, Income Support, Job Seekers Allowance and Income related ESA.

An important point is the "no worsening clause", so people should not be worse off under the new system. It will work through PAYE, and is said to be more responsive to change. One of the problems in administering the present system is that changes need to be communicated to different departments when a claimant's circumstances change. This can be sickness, lay off, overtime, change of shifts, or periods where someone takes a number of temporary jobs. This is especially problematic with the current Tax Credit System. It also retains the Child Care elements of tax credits. An important claim is that it will be easier for people to understand. My own experience is that many people simply did not understand how the system worked, and ended up with overpayments because they did not inform the relevant authority of some change in their life or work.

The Universal Benefit will be linked with "conditionality", i.e. if you can work you will be required to get a job. This will include financial sanctions.

The DWP will administer this new benefit, not the Local Authority and Customs and Revenue. The present administration costs are huge. At present it costs:

• Department of Work and Pensions	2 Billion
• Local Authorities	1 Billion
• Customs and Revenue	0.5 Billion

These three organisations are currently effectively managing the same information.

The cost of set up is estimated to be £2 billion. The system will be phased in from 2013. It is claimed that it will reduce poverty by increasing the take up of benefits. Part of the rationale for this is the system will be simpler to understand and administer. It will reduce error and cut down on fraud. ] The complexity of the system means that £5.2 Billion p.a. is wrongly paid out as a result of fraud and error - £2.1 Billion in Tax Credits and £3.1 Billion by the DWP. It is estimated that the present system also results in underpayments of £1.3 Billion by the DWP, and £260 Million in Tax Credits.

Housing costs (one of the elements in the Universal Credit) will be paid directly to families, making them responsible for paying their own rent. Presumably the payment of mortgage interest will be paid on the same basis as under the present system. Discretion will be given to Local Authorities regarding Council Tax Benefit. This is already catered for in the administration systems for Council Tax, but Local Authorities will in future be given data on claimants from the DWP.

Finally, the link is always to the primacy of work. Benefits will be capped so that families do not receive more in welfare payments than median after tax earnings for working households. There will be more flexibility regarding work. Under the present system, there is often no incentive for people to work because of the loss of benefit. A key idea in the new system is that support will be withdrawn as earnings rise.

*(Thanks to Revd. Richard Walker for material on Welfare Reform)*



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